

Date of Original Judgment: February 22, 2006

(Or Date of Last Amended Judgment)

Reason for Amendment:☐ Correction of Sentence on Remand (Fed.R.Crim.P.35(a))☐ Reduction of Sentence for Changed Circumstances
(Fed. R.Crim.P.35(b))☐ Correction of Sentence by Sentencing Court (Fed.R.Crim.P.35©)☐ Correction of Sentence for Clerical Mistake (Fed.R.Crim.P.36)☐ Modification of Supervision Conditions (18 U.S.C § 3563©) or 3583(e))☐ Modification of Imposed Term of Imprisonment for Extraordinary and
Compelling Reasons (18 U.S.C. §3582©)(1))☐ Modification of Imposed Term of Imprisonment for Retroactive
Amendment(s) to the Sentencing Guidelines (18 U.S.C. § 3582©)(2))☐ Direct Motion to District Court Pursuant to ☐ 28 U.S.C. § 2255,
☐ 18 U.S.C. § 3559©(7), or ☐ Modification of Restitution Order**United States District Court
Northern District of California****UNITED STATES OF AMERICA****v.****PREMIO, INC.****JUDGMENT IN A CRIMINAL CASE**

(For Organizational Defendants)

Case Number: **CR-06-0086 CRB**Paul J. Loh
707 Wilshire Blvd
Los Angeles, CA 90017
Defendant Organization's Attorney**THE DEFENDANT ORGANIZATION:**

- ☒ pleaded guilty to count(s): 1 and 2 of the Information.
- ☐ pleaded nolo contendere to count(s) ___ which was accepted by the court.
- ☐ was found guilty on count(s) ___ after a plea of not guilty.

The organizational defendant is adjudicated guilty of these offense(s).

<u>Title & Section</u>	<u>Nature of Offense</u>	<u>Offense Ended</u>	<u>Count</u>
15 U.S.C. § 1	Sherman Antitrust Act	December 31, 2000	1
18 U.S.C. §§ 1341 and 2	Mail Fraud and Aiding and Abetting	December 31, 2000	2

The defendant organization is sentenced as provided in pages 2 through 7 of this judgment.

- ☐ The defendant organization has been found not guilty on count(s) ___.
- ☐ Count(s) ___ (is)(are) dismissed on the motion of the United States.

IT IS ORDERED that the defendant organization must notify the United States attorney for this district within 30 days of any change of name, principal business address, or mailing address until all fines, restitution, costs, and special assessments imposed by this judgment are fully paid. If ordered to pay restitution, the defendant organization shall notify the court and United States attorney of material changes in economic circumstances.

Defendant Organization's Federal Employer I.D.: 36-4152-757

Defendant Organization's Principal Business Address:

918 Radecki Court

City of Industry, CA 91748

Defendant Organization's Mailing Address:

918 Radecki Court

City of Industry, CA 91748

February 22, 2006

Date of Imposition of Judgment



Signature of Judicial Officer

Honorable Charles R. Breyer, U. S. District Judge

Name & Title of Judicial Officer

March 6, 2006

Date

DEFENDANT: PREMIO, INC.
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PROBATION

The defendant organization is hereby placed on probation for a term of three (3) years.

The defendant organization shall not commit another federal, state, or local crime.

If the judgment imposes a fine or a restitution obligation, it is a condition of probation that the defendant organization pay in accordance with the Schedule of Payments sheet of this judgment.

The defendant organization must comply with the standard conditions that have been adopted by this court as well as with any additional conditions on the attached page (if indicated below).

DEFENDANT: PREMIO, INC.
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STANDARD CONDITIONS OF SUPERVISION

- 1) Within thirty days from the date of this judgment, the defendant organization shall designate an official of the organization to act as the organizations's representative and to be the primary contact with the probation officer;
- 2) The defendant organization shall answer truthfully all inquiries by the probation officer and follow the instructions of the probation officer;
- 3) The defendant organization shall notify the probation officer ten days prior to any change in principal business or mailing address;
- 4) The defendant organization shall permit a probation officer to visit the organization at any of its operating business sites;
- 5) The defendant organization shall notify the probation officer within seventy-two hours of any criminal prosecution, major civil litigation, or administrative proceeding against the organization;
- 6) The defendant organization shall not dissolve, change its name, or change the name under which it does business unless this judgment and all criminal monetary penalties imposed by this court are either fully satisfied or are equally enforceable against the defendant's successors or assignees; and
- 7) The defendant organization shall not waste, nor without permission of the probation officer, sell, assign, or transfer its assets.

DEFENDANT: PREMIO, INC.
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SPECIAL CONDITIONS OF SUPERVISION

See attachment Exhibit B to Plea Agreement: Special Conditions of Probation.

DEFENDANT: PREMIO, INC.
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CRIMINAL MONETARY PENALTIES

The defendant organization must pay the following total criminal monetary penalties under the schedule of payments set forth in this judgment.

	<u>Assessment</u>	<u>Fine</u>	<u>Restitution</u>
Totals:	\$ 800.00	\$ 400,000.00	\$ 1,300,000.00

☐ The determination of restitution is deferred until . *An Amended Judgment in a Criminal Case* (AO 245C) will be entered after such determination.

☒ The defendant organization shall make restitution (including community restitution) to the following payees in the amounts listed below.

If the defendant organization makes a partial payment, each payee shall receive an approximately proportional payment unless specified otherwise in the priority order or percentage payment column below. However, pursuant to 18 U.S.C. § 3664(i), all nonfederal victims must be paid before the United States is paid.

<u>Name of Payee</u>	<u>Total Loss*</u>	<u>Restitution Ordered</u>	<u>Priority or Percentage</u>
FEDERAL COMMUNICATION COMMISSION (FCC)	\$1,300,000.00	\$1,300,000.00	
<u>Totals:</u>	<u>\$ 1,300,000.00</u>	<u>\$ 1,300,000.00</u>	

☒ Civil Settlement and Restitution amount ordered pursuant to plea agreement \$ 1,300,000.00 See Exhibit A of the Plea Agreement.

☒ The defendant organization shall pay interest on restitution or a fine of more than \$2,500, unless the fine or restitution is paid in full before the fifteenth day after the date of the judgment, pursuant to 18 U.S.C. § 3612(f). All of the payment options on the Schedule of Payment Page, Part B may be subject to penalties for delinquency and default, pursuant to 18 U.S.C. § 3612(g).

☐ The court determined that the defendant organization does not have the ability to pay interest, and it is ordered that:

☐ the interest requirement is waived for the ☐ fine ☐ restitution.

☐ the interest requirement for the ☐ fine ☐ restitution is modified as follows:

* Findings for the total amount of losses are required under Chapters 109A, 110, 110A, and 113A of Title 18 for offenses committed on or after September 13, 1994, but before April 23, 1996.

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SCHEDULE OF PAYMENTS

Having assessed the organization's ability to pay, payment of the total criminal monetary penalties are due as follows:

- A ☒ Lump sum payment of \$800.00 due immediately.
☐ not later than ____, or
☒ in accordance with () C, or (x) D; or
- B ☐ Payment to begin immediately (may be combined with () C, or () D below); or
- C ☐ Payment in ____ (e.g. equal, weekly, monthly, quarterly) installments of \$ _ over a period of ____ (e.g., months or years), to commence _ (e.g., 30 or 60 days) after the date of this judgment; or
- D ☒ Special instructions regarding the payment of criminal monetary penalties: see attached Exhibit C of the Pea Agreement: Criminal Fine Repayment Schedule.

All criminal monetary penalties are made to the Clerk of Court, U.S. District Court, 450 Golden Gate Avenue, San Francisco, CA 94102.

The defendant organization shall receive credit for all payments previously made toward any criminal monetary penalties imposed.

☐ Joint and Several

Case Number Defendant and Co- Defendant Names (including Defendant Number)	<u>Total Amount</u>	Joint and Several <u>Amount</u>	Corresponding Payee, <u>if appropriate</u>
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- ☐ The defendant organization shall pay the cost of prosecution.
- ☐ The defendant organization shall pay the following court cost(s):
- ☐ The defendant organization shall forfeit the defendant organization's interest in the following property to the United States:

EXHIBIT B TO PLEA AGREEMENT
SPECIAL CONDITIONS OF PROBATION

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

UNITED STATES OF AMERICA,

Plaintiff,

v.

PREMIO, INC., f/k/a PREMIO
COMPUTER, INC.,

Defendant.

Case No.

SPECIAL CONDITIONS OF PROBATION

The defendant, Premio, Inc., (formerly known as Premio Computer, Inc., and hereafter, "Premio" or "defendant"), a corporation organized under the laws of Illinois with its principal place of business in City of Industry, California, makes and sells its computers, servers, software and peripheral equipment to wholesale, commercial and government clients. Premio also provides maintenance and other services as needed for the equipment it supplies. The defendant offered and sold the products and services to schools within the United States pursuant to a program operated under the auspices of the Federal Communications Commission (the "FCC") and administered by the Universal Service Administrative Company ("USAC"). The program, commonly referred to as the E-Rate program, was created by Congress to permit schools and libraries to acquire the needed technology to access and utilize the Internet. The defendant became the subject of a grand jury investigation arising out of doing business related to the E-Rate program. After having cooperated in the investigation and seeking a mutually agreeable settlement of all claims related thereto, the defendant has entered into a plea agreement with the United States in which the defendant pleaded guilty to a two-count felony Information. Count One charges the defendant with conspiracy to suppress and eliminate competition in violation of the Sherman Antitrust Act, 15 U.S.C. § 1. Count Two charges the defendant with mail fraud and aiding and abetting in violation of 18 U.S.C. § 1341 and 2. These charges result from the defendant conspiring with others to frustrate the public bidding process under the E-Rate

Exhibit B - Special Terms of Probation

1 program and submitting false and misleading information to the Schools and Library Division of
2 USAC ("SLD") in order to receive funding for products and services not authorized under the E-
3 Rate program. To address the issues raised in the plea agreement concerning its conduct, and
4 having determined that the following conditions will constitute reasonable and necessary steps to
5 avoid the reoccurrence of the conduct which was the subject of the plea agreement, the defendant
6 agrees, and the Court hereby imposes the following as a special condition of probation for the
7 entire three-year term of probation. In so doing, the Court is not in any way limiting the authority
8 of any agency of the United States to take any action permitted by law or regulation.

- 9 1. Within sixty (60) days of acceptance of the plea agreement by the Court, the
10 defendant shall formally adopt a comprehensive Anti-Fraud and Antitrust
11 Compliance Policy (the "Compliance Policy") and shall provide copies of said
12 policy to the Probation Officer, FCC Enforcement Bureau and the FCC-OIG. At a
13 minimum, the Compliance Policy will address the following:
 - 14 a. Creating an internal structure requiring high level management oversight
15 of all government and public entity business;
 - 16 b. Creating an internal system of monitoring and audits to include steps to be
17 taken if any employee suspects that any bid, proposal or other company
18 conduct is not in accordance with the company's Compliance Policy
19 and/or applicable law;
 - 20 c. Educating and training all responsible employees about their obligations,
21 including government procurement law, regulations and procedures;
22 criminal and civil penalties for mail fraud, wire fraud, false statements,
23 obstruction of justice, and false claims and other related conduct; and the
24 requirements for adherence to the antitrust laws; and
 - 25 d. Ensuring that there are regular reports to the CEO and Board of Directors
26 and, if Premio participates or attempts to participate in the E-Rate program
27 during the probation period, at least annual reports to the FCC
28 Enforcement Bureau and FCC-OIG of Compliance Policy activities.

- 1 2. Within sixty (60) days of acceptance of the plea agreement by the Court, the
2 defendant shall designate an officer of the defendant to be the Compliance Officer
3 responsible for the enforcement of the Anti-Fraud and Antitrust Compliance
4 Policy. This shall include:
- 5 a. Creating and overseeing internal policies and procedures to ensure that all
6 company activities involving government-sponsored or funded programs
7 or any other business with any public entities is conducted in accordance
8 with applicable law;
- 9 b. Ensuring that either the Compliance Officer personally or someone under
10 his/her direct supervision is an experienced contract manager
11 knowledgeable about governmental laws and regulations relating to public
12 sector procurement;
- 13 c. Requiring the Compliance Officer and those under his/her direct
14 supervision to oversee the enforcement of the Anti-Fraud and Antitrust
15 Compliance Policy as it applies to all company activities involving
16 government-sponsored or funded programs or any other business with any
17 public entities;
- 18 d. Creating and overseeing an ongoing mandatory education and training
19 program for all officers, directors, sales, technical staff and other
20 employees directly involved in the preparation of bid and related
21 contractual materials for any government-sponsored or funded programs or
22 any other business with any public entities in order to apprise them of all
23 governmental laws and regulations relating to public sector procurement
24 and the requirements of the Compliance Policy. If Premio participates or
25 attempts to participate in the E-Rate program during the probation period,
26 the Compliance Officer shall ensure and certify under penalty of perjury
27 that all affected individuals have received such training on at least a yearly
28 basis and shall provide the certification to the Probation Officer, FCC

1 Enforcement Bureau and FCC-OIG.

2 e. If Premio participates or attempts to participate in the E-Rate program
3 during the probation period, the Compliance Officer shall be the central
4 point of contact for (a) documenting and distributing E-Rate program
5 requirements throughout the company; (b) monitoring changes in the E-
6 Rate rules and regulations to ensure the documentation and distribution of
7 such changes; (c) ensuring that all employees who are involved with the E-
8 Rate program receive training; (d) arranging monthly meetings with key
9 company executives to ensure consistent implementation of the E-Rate
10 rules and regulations across the company.

11 3. The Compliance Officer's salary and other compensation, as well as the salary and
12 other compensation of any employees under the Compliance Officer's
13 supervision, shall be independent of any contracts or other government-sponsored
14 or funded programs or other public entity business.

15 4. The Compliance Officer shall create and oversee an internal auditing program in
16 which all public sector contracts shall be audited to ensure compliance with the
17 Compliance Program to include that bids, prices and design specifications are
18 appropriate and that there are no hidden terms, side agreements or other
19 undisclosed arrangement; and that all bids and pricing have been done in
20 accordance with all applicable laws and procedures.

21 5. The Compliance Officer shall create, oversee and promote an internal voicemail
22 or email hotline system in which all employees are encouraged to report, on an
23 anonymous basis, any believed violation of law by any officer or employee.

24 6. The Compliance Officer shall be responsible for monitoring the internal hotline
25 system and undertaking all reasonable and necessary investigations arising from
26 any reported matter(s).

27 7. The Compliance Officer shall, on at least a quarterly basis, report to the
28 defendant's CEO and Audit Committee as to the enforcement of the Compliance

1 Policy and the various measures called for herein including the status of any
2 anonymous complaints or reports received from any employees.

3 8. On at least an annual basis, the Compliance Officer shall make a report to the full
4 Board of Directors as to the status of the Compliance Policy and the various
5 measures called for herein. If Premio participates or attempts to participate in the
6 E-Rate program during the probation period, the annual reports shall also be
7 provided to the Probation Officer, FCC Enforcement Bureau and FCC-OIG.

8 9. The Compliance Officer shall meet regularly (at least monthly) with key
9 executives in the following business units to ensure compliance with all
10 applicable internal company rules and regulations and all E-Rate or other
11 telecommunication program requirements: accounting, finance, installations (i.e.
12 service technicians), legal, marketing, and sales.

13 10. If Premio participates or attempts to participate in the E-Rate program during the
14 probation period, prior to submitting any bid or application for any E-Rate funded
15 project:

16 a. The Compliance Officer shall prepare and distribute a written training
17 program to be used in formal training of Premio's employees involved in
18 the E-Rate program, including employees involved in accounting, finance,
19 sales, marketing, and installations. Among other things, this training
20 program shall cover the following subject matters: the application
21 process, competitive bidding, eligible services, service provider role and
22 responsibilities, discounts, service substitutions and equipment transfers,
23 billing SLD for services, document retention requirements, and risk of
24 non-compliance. All employees who are involved in the E-Rate program
25 must certify their completion of the training program. All future
26 employees involved with the E-Rate program must certify their completion
27 of the training program. All future employees involved with the E-Rate
28 program shall receive such training and shall certify completion of the

1 training program within 14 days of the date on which such individuals are
2 appointed or hired to such positions. These employee certifications must
3 be collected and maintained by the Compliance Officer for a period of five
4 (5) years.

5 b. The Compliance Officer shall establish an E-Rate Code of Conduct
6 ("Code"), which will conform to this Corporate Compliance Plan and
7 which will be signed by all employees involved with the E-Rate program.
8 All subject employees shall reaffirm annually, in writing, that they have
9 reviewed, fully understand, and will adhere to the Code.

10 c. The Compliance Officer shall inform all employees involved with the E-
11 Rate program that any violation of the E-Rate Code shall be grounds for
12 disciplinary action to include warning, censure, reprimand, suspension,
13 loss of pay and firing depending on the severity of the violation and the
14 repetitive nature of the misconduct.

15 11. The Compliance Officer shall review all company bids in response to Form 471
16 Applications. For each bid, the Compliance Officer will certify that all E-Rate
17 rules and regulations were followed in preparing the bid and all related contractual
18 materials. Such certifications must be maintained by the Compliance Officer for a
19 period of five (5) years.

20 12. The Compliance Officer shall collect Form 471 Applications from each customer
21 or prospective customer. The Compliance Officer or his/her designee shall
22 perform a reconciliation for each Form 471 Application to the company's
23 responsive bid and to the resulting contract or business agreement. The
24 Compliance Officer shall keep a copy of the resulting reconciliation worksheet for
25 each application and shall update it as necessary to show any exchanges,
26 substitutions, or cancellations. The Compliance Officer shall maintain these
27 reconciliation worksheets for a period of five (5) years.

28 13. The Company shall separate all E-Rate eligible and ineligible products and service

1 onto separate customer contracts per installation.

2 14. In addition to any applicable FCC regulation or program requirement, and as a
3 condition of any future participation in the E-Rate program or other government-
4 sponsored or funded telecommunication programs, the defendant agrees that the
5 FCC Enforcement Bureau and FCC-OIG, acting directly or through its agents,
6 may, on an annual basis, audit defendant's compliance with applicable laws and
7 regulations relating to the E-Rate or other government sponsored or funded
8 telecommunication programs to assure adherence to the terms and conditions of
9 those programs. Defendant shall bear all ordinary and reasonable costs of any
10 such audit(s).

11 15. On an at least annual basis, within thirty (30) days after the close of defendant's
12 fiscal year, the defendant shall file a report signed under the penalty of perjury by
13 the CEO with the FCC Enforcement Bureau and FCC-OIG concerning the
14 defendant's compliance with the Compliance Policy. This report shall certify that
15 all required oversight, training and educational activities have been undertaken in
16 accordance with the requirements of the Compliance Policy. In the alternative,
17 the report shall detail any shortcomings in following the Compliance Policy and
18 the steps taken, and those that will be taken, to ensure compliance. This report
19 shall also include a detailed description of any violations that were found during
20 the applicable period, the steps taken to cure the violations and any subsequent
21 steps taken to ensure future compliance.

22 16. The defendant agrees that should it fail to provide the reports required herein on a
23 timely basis, it shall be responsible for liquidated damages to the United States in
24 the amount of \$25,000 per day until the report is received by the FCC
25 Enforcement Bureau and FCC-OIG. The FCC Enforcement Bureau and FCC-
26 OIG may require the defendant to provide additional information as necessary
27 concerning any incidents or other activities contained in the annual report. If the
28 defendant materially fails to provide such information within the time requested

1 or within ten (10) days of such request, whichever is longer, the defendant agrees
2 that it will continue to be liable for liquidated damages in the amount of \$25,000
3 per day until such information is provided to the satisfaction of the FCC
4 Enforcement Bureau and FCC-OIG.

- 5 17. If all or substantially all of the defendant's assets are transferred to a successor
6 organization, that entity shall, as a condition of purchase and by operation of law,
7 become subject to the terms of these special conditions of probation. Prior to any
8 sale, dissolution, reorganization, assignment, merger, acquisition or other action
9 that would result in a successor or assign for provision of the company's E-Rate-
10 related services, the company will furnish a copy of this compliance plan to such
11 prospective successor or assigns and advise same of their duties and obligations
12 under the compliance plan.

13
14 IT IS SO ORDERED.

15 Dated: *February 22, 2006*



HONORABLE CHARLES R. BREYER
United States District Court Judge

EXHIBIT C TO PLEA AGREEMENT
CRIMINAL FINE REPAYMENT SCHEDULE

EXHIBIT C

<u>Time</u>	<u>Criminal Amt Owing</u>	<u>Interest @ 5%</u>	<u>Total Payment</u>	<u>Balance</u>
Settlement Date	\$400,000.00	\$0.00	\$80,000.00	\$320,000.00
4/1/06	\$320,000.00	\$4,000.00	\$18,182.52	\$305,817.48
7/1/06	\$305,817.48	\$3,822.72	\$18,182.52	\$291,457.68
10/1/06	\$291,457.68	\$3,643.22	\$18,182.52	\$276,918.38
1/1/07	\$276,918.38	\$3,461.48	\$18,182.52	\$262,197.34
4/1/07	\$262,197.34	\$3,277.47	\$18,182.52	\$247,292.29
7/1/07	\$247,292.29	\$3,091.15	\$18,182.52	\$232,200.92
10/1/07	\$232,200.92	\$2,902.51	\$18,182.52	\$216,920.91
1/1/08	\$216,920.91	\$2,711.51	\$18,182.52	\$201,449.90
4/1/08	\$201,449.90	\$2,518.12	\$18,182.52	\$185,785.51
7/1/08	\$185,785.51	\$2,322.32	\$18,182.52	\$169,925.31
10/1/08	\$169,925.31	\$2,124.07	\$18,182.52	\$153,866.85
1/1/09	\$153,866.85	\$1,923.34	\$18,182.52	\$137,607.67
4/1/09	\$137,607.67	\$1,720.10	\$18,182.52	\$121,145.24
7/1/09	\$121,145.24	\$1,514.32	\$18,182.52	\$104,477.04
10/1/09	\$104,477.04	\$1,305.96	\$18,182.52	\$87,600.48
1/1/10	\$87,600.48	\$1,095.01	\$18,182.52	\$70,512.97
4/1/10	\$70,512.97	\$881.41	\$18,182.52	\$53,211.86
7/1/10	\$53,211.86	\$665.15	\$18,182.52	\$35,694.49
10/1/10	\$35,694.49	\$446.18	\$18,182.52	\$17,958.15
1/1/11	\$17,958.15	<u>\$224.48</u>	<u>\$18,182.63</u>	\$0.00
		\$43,650.51	\$443,650.51	
Interest Compounded Quarterly				